GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:391
ANSWERED ON:19.04.2002
WITHDRAWAL OF APPEAL AGAINST WTO PANEL
GADDE RAMAMOHAN;M.V.V.S MURTHI

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

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(a) whether the dispute settlement panel of WTO has given its ruling against India on its industrial policy on automobile; (

(b) if so, the facts in this regard; (

(c) whether an appeal was preferred by India against a panel ruling of WTO over its industrial policy on Automobile; (

(d) if so, the details thereof; (

(e) whether the said appeal has been withdrawn recently by the Government; (

(f) if so, the details thereof and the reasons therefor; and

(g) the present stand of the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI RAJIV PRATAP RUDY)

(a) to (g): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a), (b), (c), (d), (e), (f) and (g) OF LOK SABHA STARRED QUESTION 391 TO BE ANSWERED ON 19TH APRIL 2002 REGARDING WITHDRAWAL OF APPEAL AGAINST WTO PANEL

(a) and (b) : Yes Sir. At the request of United States (US) and European Union (EU), a Dispute Settlement panel was established in the World Trade Organization (WTO) to look into the WTO consistency of India`s policy related to import of Completely Knocked Down (CKD)/Semi Knocked Down (SKD) kits by joint venture car manufacturer companies, which had been announced vide Public Notice No. 60 dated 12th December 1997 and which inter alia required all car manufacturing companies to sign a Memorandum of Understanding (MOU) and undertake trade balancing and indigenisation obligations in return for grant of licences for import of CKD/SKD kits. The Panel in its final findings released on 21st December 2001 has held that the Public Notice 60 and the consequent MOUs, including provisions related to indigenisation requirement and trade balancing requirement are inconsistent with the relevant provisions of WTO (Art. III and Art. XI of GATT (1994)). The Panel separately looked into the changes in Indian policy after 1st April 2001 as regards the effect they may have on the `indigenisation and `trade balancing` obligations and found that these measures have not corrected the inconsistency.

(c), (d), (e), (f) and (g) : In view of the time constraint for filing an appeal, India`s notice for an appeal to the Appellate Body was registered on 31st January 2002. The appeal was limited to the legal issue of the panel having exceeded its terms of reference by ruling on measures introduced after the establishment of the Panel. The appeal also sought a review of the Panel`s ruling that even insisting on accrued export obligations up to 31st March 2001 was WTO inconsistent.

On further examination of the matter it was seen that the MOU companies had exported about Rs. 1893 crores until 31st March 2001 as against the accrued export obligation of Rs. 2100 crores. Also in view of the announcement of the new Auto policy, that it will be in harmony with the commitments made to the WTO, it was considered appropriate to close this matter and the appeal was withdrawn on 14th March 2002.

The Dispute Settlement Body (DSB) of the WTO has on 5th April 2002 adopted the panel report in this disputeIn accordance with provisions of Dispute Settlement Understanding within 30 days of the adoption of the report, India would have to indicate its intention to comply with the recommendations and rulings of the panel as adopted by the DSB.